

AR88 (AR88)

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LISTING STATEMENT NO. 2597

LISTED JANUARY 26, 1973.
870,000 Common Shares without par value.
Stock Symbol HYS
Post Section 10

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

HY'S OF CANADA LIMITED

Incorporated under the laws of the Province of British Columbia on November 27, 1968,
by Certificate of Incorporation on the filing of a Memorandum of Association.

CAPITALIZATION AS AT JANUARY 3, 1973

SHARE CAPITAL	Authorized	Issued and Outstanding	To be Listed
Common Shares without par value	1,000,000	870,000	870,000

JANUARY 3, 1973.

1. APPLICATION

Hy's of Canada Ltd. (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 870,000 Common Shares without nominal or par value in the capital of the Company, of which 870,000 have been issued and outstanding as fully paid and non-assessable.

2. HISTORY

The Company was incorporated on November 27, 1968, to acquire, as of December 2, 1968, all of the issued and outstanding shares of eleven pre-existing companies (one of which has a wholly-owned subsidiary) in exchange for its Common Shares.

In April, 1969, the Company caused to be incorporated a wholly-owned subsidiary, Hy's Steak House (Eastern) Ltd., which presently operates a first-class restaurant in Toronto, Ontario.

In June, 1969, the Company caused to be incorporated Hy's Steak Out Ltd., which operates a medium-priced restaurant in Lethbridge, Alberta. The Company has a 75% interest in Hy's Steak Out Ltd.

In July, 1972, the Company acquired 100% of the issued and outstanding shares of Hy's of Chicago Ltd., incorporated under the laws of the State of Illinois to operate a first-class restaurant in the City of Chicago, Illinois.

In the section entitled "Nature of Business", reference to the "Company" includes reference to the said pre-existing companies (one of which has a wholly-owned subsidiary) whose shares were acquired as of December 2, 1968, the said Hy's Steak House (Eastern) Ltd., Hy's Steak Out Ltd., and Hy's of Chicago Ltd., the details of which subsidiaries are more fully described in the section "Subsidiary Companies".

3. NATURE OF BUSINESS

The Company has directed its activities to the establishment, operation and management of restaurants and related food and beverage services which may include cocktail lounges, coffee shops, hotel room food services and banquet facilities. The Company is presently operating or managing restaurants at ten locations in Canada and one in the United States of America and expects shortly to commence a second operation in Toronto. The details of all locations are set forth below.

Name of Restaurant	Location	Type of Operation
Hy's	Calgary, Alberta	Lands, premises and business owned and operated by the Company
Hy's Encore	Vancouver, British Columbia	Lands, premises and business owned and operated by the Company

<u>Name of Restaurant</u>	<u>Location</u>	<u>Type of Operation</u>
Hy's at the Sands	Vancouver, British Columbia	Managing restaurant facilities at the Sands Hotel under agreement with hotel owner
Hy's Steak House	Victoria, British Columbia	Premises held on lease by the Company; business owned and operated by the Company
Hy's Steak Loft	Winnipeg, Manitoba	Lands, premises and business owned by the Company
Hy's Prime Rib House (Board of Trade Building, Columbia Centre)	Vancouver, British Columbia	Premises, including leasehold improvements held on lease by the Company; business owned and operated by the Company
Plaza Two (MacMillan Bloedel Building)	Vancouver, British Columbia	Premises, including leasehold improvements held on lease by the Company; business owned and operated by the Company
Hy's	Toronto, Ontario	Premises held on lease by the Company; leasehold improvements and business owned and operated by the Company
Little Harry's (Hillside Shopping Centre)	Victoria, British Columbia	Premises held on lease by the Company; leasehold improvements and business owned and operated by the Company
Hy's of Canada	Chicago, Illinois	Premises held on lease by the Company; leasehold improvements and business owned and operated by the Company
Hy's Steak Out	Lethbridge, Alberta	Premises held on lease by the Company; leasehold improvements and business owned and operated by the Company
Hy's Encore	Toronto, Ontario	Premises to be held on lease by the Company; leasehold improvements and business to be owned and operated by the Company

The restaurants cater to those who enjoy luxury meals in attractive surroundings. The menus in all restaurants feature selected cuts of meats and other entrées, together with a selection of fine wines and liquors. The interior design is distinctive as to each restaurant with original artistic works used in their décor. Restaurant seating capacities range from 120 to 400. Four of the above-described restaurants have banquet facilities. The Company presently employs approximately 725 people. The Company provides credit card service for its customers through the national credit card companies.

The Company also derives rental income from leases of portions of buildings it has acquired primarily for restaurant operations.

4.

INCORPORATION

The Company was incorporated as a public company under the laws of the Province of British Columbia by registration of its Memorandum of Association on November 27, 1968, with an authorized capital of 1,000,000 Common Shares without nominal or par value.

5.

SHARES ISSUED DURING PAST TEN YEARS

<u>Date of Issue</u>	<u>Number of Shares Issued</u>	<u>Amount Realized Per Share</u>	<u>Total Amount Realized</u>	<u>Purpose of Issue</u>
November 27, 1968	5	\$1.38(approx)	\$ 7.00	Subscribers' Shares
December 12, 1968	629,995	\$1.38(approx)	\$ 871,344	Consideration for shares of subsidiary companies
December 20, 1968	240,995	\$5.00	\$1,200,000*	General corporate purposes

* Underwriting discounts or commissions in the amount of \$780,000 are recorded under "Share Issue, Expenses and Organization Costs" shown as "Other Assets" on the Company's Balance Sheet.

6.

STOCK PROVISIONS AND VOTING POWERS

Each Common Share carries one vote at all meetings of the shareholders.

7.

DIVIDEND RECORD

On December 15, 1971, the Company paid an initial dividend of 10¢ per share on its 870,000 outstanding Common Shares without nominal or par value to the shareholders of record as of the close of business on November 26, 1971. The dividend paid amounted to \$87,000 in the aggregate.

On December 29, 1972, the Company paid a tax-free dividend of 10¢ per share on its 870,000 outstanding Common Shares without nominal or par value to the shareholders of record as of the close of business on December 15, 1972. The total dividend paid was \$87,000; in addition, the Company has paid a federal tax of \$15,750 in order to create a tax-free surplus from which the said dividend was paid.

The Company is a holding company and owns no property other than shares of the subsidiary and affiliated companies mentioned in this application and the business of Little Harry's in Victoria, British Columbia, referred to in the section "Nature of Business". For details of properties owned by the subsidiary companies see Item 9 below.

SUBSIDIARY COMPANIES

Hy's Steak House Ltd.

Hy's Steak House Ltd., was incorporated under the laws of the Province of Alberta, by registration of a Memorandum of Association on June 17, 1957, with an authorized capital of \$20,000 divided into 5,000 Ordinary Shares and 15,000 Preferred Shares, all with a par value of \$1.00 each. On June 11, 1963, Hy's Steak House Ltd. was amalgamated with Nedo Management Ltd., which company was incorporated under the laws of the Province of Alberta. All of the issued and outstanding shares of Hy's Steak House Ltd. are beneficially owned by Jet-Line Services Ltd. referred to below.

Hy's Steak House Ltd. is the owner and operator of the business of Hy's located at 316-4th Avenue S.W., Calgary, Alberta (the "Calgary Operation").

Jet-Line Service Ltd.

Jet-Line Services Ltd. ("Jet-Line") was incorporated under the laws of the Province of Alberta on March 28, 1962, by filing a Memorandum of Association and was registered extra-provincially in the Province of British Columbia on November 30, 1968. The authorized capital of Jet-Line is \$98,000.00 divided into 4,900 5% Class "A" Non-Cumulative Redeemable Voting Preference Shares with a par value of \$10.00 and 4,900 5% Class "B" Non-Cumulative Redeemable Non-Voting Preference Shares with a par value of \$10.00, of which none is issued. The Company is also authorized to issue 1,000 Class "A" Voting Common Shares and 1,000 Class "B" Non-Voting Common Shares, of which 100 Class "A" Voting Common Shares are issued and outstanding, all of which are beneficially owned by the Company.

Jet-Line owns all of the issued and outstanding shares of Hy's Steak House Ltd., owns the land on which the Calgary Operation is located and it also owns and operates Hy's Prime Rib House and Plaza Two, both located in Vancouver, British Columbia.

B. & B. Management Ltd.

B. & B. Management Ltd. ("B. & B.") was incorporated under the laws of the Province of British Columbia by registration of a Memorandum of Association and issuance of a Certificate of Incorporation on June 27, 1963, with an authorized capital of \$9,000.00 divided into 900 7% Non-Cumulative Redeemable Preference Shares at \$10.00 each and 100 Class "A" Voting Common Shares no par value and 900 Class "B" Non-Voting Common Shares no par value with a maximum selling price of \$1.00 per share, of which 100 Class "A" Voting Common Shares and 100 Class "B" Non-Voting Common Shares are issued and outstanding, all of which are held by the Company.

B. & B., which is now inactive, was registered as an extra-provincial company in the Province of Alberta, on December 7, 1964.

Duke Management Ltd.

Duke Management Ltd. ("Duke") was incorporated under the laws of the Province of British Columbia by registration of a Memorandum of Association and issuance of a Certificate of Incorporation on June 27, 1963, with an authorized capital of \$9,000.00 divided into 900 Preference Shares at \$10.00 each and 100 Class "A" Voting Common Shares no par value and 900 Class "B" Non-Voting Shares no par value with a maximum selling price of \$1.00, of which 100 Class "A" Voting Common Shares and 100 Class "B" Non-Voting Common Shares are issued and outstanding, all of which are held by the Company.

Duke, which is now inactive, was registered as an extra-provincial company in the Province of Alberta on January 12, 1965.

Bernbourne Management Ltd.

Bernbourne Management Ltd. ("Bernbourne") was incorporated under the laws of the Province of British Columbia on November 6, 1961, with an authorized capital of 8,000 Class "A" Voting Common Shares and 2,000 Class "B" Non-Voting Common Shares with a maximum selling price of \$1.00, of which 300 Class "A" Voting Common Shares and 75 Class "B" Non-Voting Common Shares are issued and outstanding, all of which are beneficially owned by the Company.

Bernbourne owns and operates, as to 50%, the business of Hy's Encore located at 637 Hornby Street, Vancouver, British Columbia.

Enrose Management Ltd.

Enrose Management Ltd. ("Enrose") was incorporated under the laws of the Province of British Columbia on November 6, 1961, with an authorized capital of 8,000 Class "A" Voting Common Shares and 2,000 Class "B" Non-Voting Common Shares with a maximum selling price of \$1.00, of which 300 Class "A" Voting Common Shares and 75 Class "B" Non-Voting Common Shares have been issued and all are held by the Company.

Enrose owns and operates, as to 50%, the business of Hy's Encore located at 637 Hornby Street, Vancouver, British Columbia.

Hydon Holdings Ltd.

Hydon Holdings Ltd. ("Hydon") was incorporated under the laws of the Province of British Columbia on November 6, 1961, with an authorized capital of 8,000 Class "A" Voting Common Shares and 2,000 Class "B" Non-Voting Common Shares with a maximum selling price of \$1.00, of which 300 Class "A" Voting Common Shares and 75 Class "B" Non-Voting Common Shares have been issued and all are held by the Company.

Hydon owns all of the lands and premises on which Hy's Encore is located.

Babs Management Ltd.

Babs Management Ltd. ("Babs") was incorporated under the laws of the Province of British Columbia on June 27, 1963, with an authorized capital of \$9,000.00 divided into 900 7% Non-Cumulative Redeemable Preference Shares of \$10.00 each and 100 Class "A" Voting Common Shares and 900 Class "B" Non-Voting Common Shares no par value with a maximum selling price of \$1.00 per share, of which 100 Class "A" Voting Common Shares and 100 Class "B" Non-Voting Common Shares are issued and outstanding, all of which are owned by the Company.

Babs manages Hy's at the Sands in Vancouver, British Columbia.

In March, 1969, Babs was registered as an extra-provincial company in the Province of Saskatchewan.

Hycate Holdings Ltd.

Hycate Holdings Ltd. ("Hycate") was incorporated under the laws of the Province of British Columbia by filing a Memorandum of Association on June 22, 1965. The authorized capital of Hycate is \$125,000 divided into 125,000 Preferred Shares at \$1.00 each and 10,000 Class "A" Common Shares no par value with a maximum selling price of \$1.00, of which 10,000 Class "A" Common Shares are issued and outstanding, all of which are owned by the Company.

Hycate operates the business of Hy's Steak House in Victoria, British Columbia.

Hy's Steak Loft Ltd.

Hy's Steak Loft Ltd. was incorporated on February 6, 1958, under the laws of the Province of Manitoba by Letters Patent with an authorized capital of \$20,000, divided into 20,000 Common Shares with a par value of \$1.00 each. 500 Common Shares are issued and outstanding and these are all now owned beneficially by the Company.

Hy's Steak Loft Ltd. owns and operates, as to 50%, Hy's Steak Loft located at 216 Kennedy Street, Winnipeg, Manitoba (the "Winnipeg Operation").

Boyd Investments Ltd.

Boyd Investments Ltd. was incorporated on March 4, 1958, under the laws of the Province of Manitoba by Letters Patent with an authorized capital of \$20,000, divided into 100,000 Common Shares with a par value of \$0.20 each. 2,500 Common Shares are issued and outstanding and these are all now owned beneficially by the Company.

Boyd Investments Ltd. owns and operates, as to 50%, the Winnipeg Operation.

Carman Investments Ltd.

Carman Investments Ltd. was incorporated on January 5, 1959, under the laws of the Province of Manitoba by Letters Patent with an authorized capital of \$20,000, divided into 20,000 Common Shares with a par value of \$1.00 each. 500 Common Shares are issued and outstanding and these are all now owned beneficially by the Company.

Carman Investments Ltd. owns the lands and premises on which the Winnipeg Operation is located.

Hy's Steak House (Eastern) Ltd.

Hy's Steak House (Eastern) Ltd. ("Eastern") was incorporated on April 1, 1969, under the laws of the Province of Ontario. The authorized capital of the Company is divided into 3,600 6% Non-Voting Non-Cumulative Non-Participating Redeemable Preference Shares with a par value of \$10.00 each and 4,000 Common Shares without par value. 100 Common Shares have been issued as fully paid and non-assessable shares and all are beneficially owned by the Company.

Eastern owns the leasehold improvements and owns and operates the business of Hy's located at 73 Richmond Street West, Toronto, Ontario.

Eastern expects to commence operations of Hy's Encore, to be located at 133 Yorkville Avenue, Toronto, Ontario, in April, 1973.

Hy's Steak Out Ltd.

Hy's Steak Out Ltd. was incorporated by filing a Memorandum of Association in the Province of Alberta on June 5, 1969. Hy's Steak Out Ltd. is authorized to issue 20,000 Common Shares without nominal or par value, the aggregate sum for which the said shares are to be sold not to be in excess of \$20,000 of which 200 Common Shares are issued, 150 of which are owned by the Company.

Hy's Steak Out Ltd. owns the leasehold improvements and owns and operates the business of Hy's Steak Out Located in the College Mall in Lethbridge, Alberta.

Hy's of Chicago Ltd.

Hy's of Chicago Ltd. was incorporated on December 20, 1971, under the laws of the State of Illinois. Hy's of Chicago Ltd. is authorized to issue 1,000 Common Shares without par value, of which 300 shares were issued for a consideration of \$30,000 to the Company.

Hy's of Chicago Ltd. owns the leasehold improvements and owns and operates the business of Hy's of Canada located at 100 East Walton Place, Chicago, Illinois.

10. AFFILIATED COMPANIES

Interprovincial Properties Ltd.

Interprovincial Properties Ltd. ("Interprovincial") was incorporated on May 9, 1969, under the laws of the Province of British Columbia by filing a Memorandum of Association. The authorized capital of the company is \$9,000 divided into 9,000 Preferred Redeemable Shares with a nominal or par value of \$1.00 each, of which none is issued. The Company is also authorized to issue 1,000 Common Shares without nominal or par value, of which 200 Common Shares are issued, of which 50% are owned by the Company.

The foundation of Interprovincial is to acquire, develop and sell real estate sites for restaurants and other operations. It presently owns one piece of land in New Westminster, British Columbia.

Kobe Japanese Steak House Ltd.

Kobe Japanese Steak House Ltd. ("Kobe") was incorporated under the laws of the Province of British Columbia by filing a Memorandum of Association on July 9, 1969. The Company is authorized to issue 10,000 Shares without nominal or par value. One of the 2 Common Shares issued is owned by the Company.

Kobe owns the leasehold improvements and owns and operates Kobe Japanese Steak House located at 1042 Alberni Street, Vancouver, British Columbia.

Kobe also has a 70% interest in Kobe Japanese Steak House (Hawaii) Ltd. which owns and operates the Kobe Japanese Steak House located in Honolulu, Hawaii.

Hymor Foods Ltd.

Hymor Foods Ltd. was incorporated under the laws of the Province of Saskatchewan by filing a Memorandum of Association on June 7, 1970.

The authorized capital of Hymor Foods Ltd. is \$20,000 divided into 20,000 Shares with a nominal or par value of \$1.00 each, of which 2 shares are issued, one of which is beneficially owned by the Company.

Hymor Foods Ltd. owns the leasehold improvements and owns and operates the business of Hy's Steak House located in Saskatoon, Saskatchewan.

Hymor Foods Ltd. also owns less than 50% of the Common Shares of the undernoted companies.

<u>Name of Company</u>	<u>Percentage Ownership</u>
Old Spaghetti Factory Restaurant Ltd	12%
Old Spaghetti Factory (Man.) Ltd.	35%
Village Green Hotel Ltd.	33⅓%
Village Green Hotel (Vernon) Ltd.	33⅓%

11. FUNDED DEBT

The Company's funded or long-term debt consists of the following:

	<u>Balance Outstanding September 30, 1972</u>
Mortgages Payable:	
(a) Principal payable \$2,500 monthly. In addition, interest is payable at the rate of 11% per annum. Final payment due February 1976	\$ 100,000
(b) Payable \$1,000 monthly (excluding interest at 11% per annum) with final payment due April 1980	96,999
(c) Payable \$1,632.40 monthly including interest at 7¼% per annum with final payment due December 18, 1978	97,584
(d) Payable \$385.05 monthly plus interest at 9½% per annum with final payment due October 15, 1981	28,095
(e) Payable \$1,357.40 monthly including interest at 6½% per annum with final payment due April 15, 1973	8,011
Bank Loan:	
(f) Bank of Nova Scotia — payable \$10,000 monthly, due September 30, 1977	500,000
(g) Mercantile Bank of Canada — payable \$5,000 monthly, due March 1979	375,000
Agreement to purchase real property:	
(h) Payable \$14,340 per annum no interest, due January 1977	60,945
Note Payable:	
(i) Payable at the rate of approximately \$12,000 per annum	61,813
	<u>\$1,328,447</u>

In addition, the Company is presently negotiating a loan with RoyNat Limited in the amount of \$500,000.

12. OPTIONS, UNDERWRITINGS, ETC.

The Company does not have any outstanding options, underwritings, sales agreement or other contracts or agreements of a like nature with respect to any unissued shares or any issued shares held for the benefit of the Company.

13. LISTING ON OTHER STOCK EXCHANGES

The Common Shares of the Company are listed on the Vancouver Stock Exchange.

14. STATUS UNDER SECURITIES ACTS

Particulars of any filing, registration, approval or qualification with or by the Ontario Securities Commission or any corresponding governmental body or authority are as follows:

The British Columbia Securities Commission issued its official receipt dated December 16, 1968, acknowledging receipt of the material required under the Securities Act 1967 (British Columbia) in reference to the offering of 240,000 Common Shares.

15. FISCAL YEAR

The fiscal year of the Company ends on September 30 in each year.

16. ANNUAL MEETING

The Articles of Association of the Company provided that an Annual General Meeting shall be held once in every calendar year at such time and place as the Board of Directors shall determine, but in any event not more than 15 months after the holding of the last preceding Annual General Meeting. The Companies Act of the Province of British Columbia provides that every General Meeting of the Company shall be held within the Province or at such place or places outside the Province as the Registrar of Companies may from time to time designate upon application made to him by the Company. The last Annual General Meeting of the Company was held at Vancouver, British Columbia on January 17, 1972.

17. HEAD AND OTHER OFFICES

The head office of the Company is located at 595 Hornby Street, Vancouver, British Columbia.

18. TRANSFER AGENT

The Transfer Agent of the Company is:

Canada Permanent Trust Company at its offices at 455 Granville Street, Vancouver, 2, British Columbia, and 1901 Yonge Street, Toronto, Ontario.

19. TRANSFER FEE

No fee is charged on transfers other than the customary Government stock transfer taxes.

20. REGISTRAR

The Registrar of the Company is:

Canada Permanent Trust Company at its offices at 455 Granville Street, Vancouver, 2, British Columbia, and 1901 Yonge Street, Toronto, Ontario.

21. AUDITORS

The auditors of the Company are:

Collins, Love, Eddis, Valiquette & Barrow, Chartered Accountants, 1113 The Burrard Building, 1030 West Georgia Street, Vancouver, British Columbia.

22. OFFICERS

The Officers of the Company (all of whom have been employed by the Company for the past five years) are:

<u>Name</u>	<u>Office</u>	<u>Home Address</u>
Hy Aisenstat	President	415 Eastcot Road West Vancouver, British Columbia
Donald Rosebourne	Vice-President and Secretary	1097 Hillside West Vancouver, British Columbia

<u>Name</u>	<u>Office</u>	<u>Home Address</u>
Bernie Aisenstat	Alberta Manager	2007 Bay Field Place Calgary, Alberta
Jack Shatz	Ontario Manager	115 Scenic Millway Willowdale, Ontario
Joseph Garfin	Real Estate Property Manager	1007 Frontenac Avenue Calgary, Alberta

23. DIRECTORS

<u>Name</u>	<u>Occupation</u>	<u>Home Address</u>
Hy Aisenstat	President and Chief Executive Officer of the Company	415 Eastcot Road West Vancouver, British Columbia
Donald Rosebourne	Vice-President of the Company, formerly British Columbia Manager of the Company	1097 Hillside West Vancouver, British Columbia
Bernie Aisenstat	Alberta Manager of the Company	2007 Bay Field Place Calgary, Alberta
Jack Shatz	Ontario Manager of the Company, formerly Saskatchewan and Manitoba Manager of the Company	115 Scenic Millway Willowdale, Ontario
Joseph Garfin	Real Estate Property Manager of the Company	1007 Frontenac Avenue Calgary, Alberta
William Edward Thomson	Retired	680 Fairmile West Vancouver, British Columbia
Alan Murray Eyre	President of Dueck on Broadway Limited	2260 S.W. Marine Drive Vancouver, British Co- lumbia
Arthur Ryan Smith	Management and Public Relations Consultant	1104 Beverley Boulevard Calgary, Alberta

Each of the above-named Directors has held the principal occupation or employment indicated for at least five years, except for William Edward Thomson who was formerly a director of Pemberton Securities Limited.

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, Hy's of Canada Ltd. hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange, and the undersigned officers there- of hereby certify that the statements and representations made in this application and in the documents submit- ted in support thereof are true and correct.

HY'S OF CANADA LTD.



Per: "HY AISENSTAT",
President

Per: "DONALD ROSEBOURNE",
Vice-President and Secretary

DISTRIBUTION OF COMMON STOCK AS OF DECEMBER 8, 1972.

<u>Number</u>		<u>Shares</u>
27	..... Holders of 1 — 24 share lots	601
183	..... " " 25 — 99 " "	9,117
391	..... " " 100 — 199 " "	41,216
136	..... " " 200 — 299 " "	28,077
42	..... " " 300 — 399 " "	12,850
16	..... " " 400 — 499 " "	6,450
77	..... " " 500 — 999 " "	45,218
72	..... " " 1000 — up " "	726,471
944	Shareholders	Total Shares 870,000

FINANCIAL STATEMENTS

HY'S OF CANADA LTD.

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1972

ASSETS

	<u>1972</u>	<u>1971</u>
Current:		
Cash	\$ 464,470	\$ 334,926
Short-term deposits and securities	400,000	135,000
Accounts receivable	303,109	296,857
Inventories — at cost	155,518	135,277
Prepaid expenses	116,287	144,003
Due from directors and officers	20,884	22,235
	<u>1,460,268</u>	<u>1,068,298</u>
Investments:		
Affiliated companies (Note 2)	364,250	282,372
Miscellaneous	8,162	5,573
	<u>372,412</u>	<u>287,945</u>
Fixed — at cost:		
Land	275,365	275,365
Buildings	1,333,720	1,134,189
Leasehold improvements	1,715,479	1,167,423
Furniture and equipment	1,096,354	1,015,359
	<u>4,420,918</u>	<u>3,592,336</u>
Less: Accumulated depreciation	1,270,626	1,002,419
	<u>3,150,292</u>	<u>2,589,917</u>
Other:		
Marketable securities (Note 3)	25,659	85,712
Deferred development expenses, contract rights and other intangibles less amortization of \$378,809 (1971 — \$284,287) (Note 1(a))	419,575	376,633
	<u>445,234</u>	<u>462,345</u>
	<u>\$5,428,206</u>	<u>\$4,408,505</u>

The accompanying notes are an integral part of this statement

HY'S OF CANADA LTD.

CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 1972

LIABILITIES

	<u>1972</u>	<u>1971</u>
Current:		
Bank loans	\$ 50,000	\$ 95,000
Accounts payable and accruals	790,940	496,632
Income taxes payable	187,339	152,643
Current portion of long-term debt	247,832	212,192
Deferred income taxes (Note 5)	40,598	65,836
	<u>1,316,709</u>	<u>1,022,303</u>
Long-Term Debt less current portion shown above (Note 3)	1,080,615	687,454
Deferred Income Taxes (Note 5)	125,319	64,151
Minority Interest	20,314	16,382

SHAREHOLDERS' EQUITY

Share Capital:		
Authorized —		
1,000,000 common shares, no par value		
Issued —		
870,000 shares	2,071,351	2,071,351
Retained Earnings	813,898	546,864
	<u>2,885,249</u>	<u>2,618,215</u>
Commitments, Contingent Liabilities and Subsequent Events (Note 8)		
	<u>\$5,428,206</u>	<u>\$4,408,505</u>

The accompanying notes are an integral part of this statement

AUDITORS' REPORT

To the Shareholders of
Hy's of Canada Ltd.

We have examined the consolidated balance sheet of Hy's of Canada Ltd. and Subsidiary Companies as at September 30, 1972, and the consolidated statements of earnings and retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1972, and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for amortization of certain intangibles referred to in Note 1(a), on a basis consistent with that of the preceding year.

Vancouver, British Columbia
November 28, 1972

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW
Chartered Accountants

HY'S OF CANADA LTD.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL FOR THE YEAR ENDED SEPTEMBER 30, 1972

	1972		1971	
Source of Working Capital:				
Operations —				
Earnings before extra-ordinary items		\$ 364,034		\$ 192,626
Amounts not requiring a current outlay of funds:				
Depreciation	\$ 271,808		\$ 273,072	
Amortization	94,522		125,180	
Non-current deferred income taxes	61,168		(6,134)	
Minority interest	3,932	431,430	(4,813)	387,305
		<u>795,464</u>		<u>579,931</u>
Proceeds from sale of marketable securities .		65,006		65,542
Long-term borrowing (not including renegotiated bank loan)		653,325		275,000
Minority shareholder investment		—		679
Extraordinary foreign exchange gains		—	\$1,513,795	13,131
				<u>\$ 934,283</u>
Application of Working Capital:				
Repayment of long-term debt	224,524		275,637	
Increase in current portion of long-term debt	35,640	260,164	8,584	284,221
		<u>832,183</u>		<u>176,293</u>
Additions to fixed assets		137,464		25,641
Deferred development expenses ..		84,467		99,324
Investments (net)		87,000		—
Dividends		14,953	1,416,231	4,216
Income taxes deferred in prior years				<u>589,695</u>
Increase in Working Capital		97,564		344,588
Working Capital (Deficit), beginning of year		45,995		(298,593)
Working Capital, end of year		<u>\$ 143,559</u>		<u>\$ 45,995</u>

The accompanying notes are an integral part of this statement

HY'S OF CANADA LTD.

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED SEPTEMBER 30, 1972

	<u>1972</u>	<u>1971</u>
Income:		
Sales	7,181,868	\$6,473,272
Management and rental income	257,726	205,574
Income from affiliates	39,824	4,100
	<u>7,479,418</u>	<u>6,682,946</u>
Expenses:		
Cost of sales and administration	5,942,588	5,404,880
Interest	72,548	95,112
Real estate expenses and rent	408,718	363,081
Depreciation	271,808	273,072
Amortization of deferred development expenses, contract rights and other intangibles (Note 1(a))	94,522	125,180
	<u>6,790,184</u>	<u>6,261,325</u>
Earnings before Undernoted Items	<u>689,234</u>	<u>421,621</u>
Provision for Income Taxes:		
Current	295,481	185,836
Deferred	25,787	47,972
	<u>321,268</u>	<u>233,808</u>
	<u>367,966</u>	<u>187,813</u>
Minority Interest in Profit (Loss) of Subsidiary	3,932	(4,813)
Earnings before Extraordinary Items	<u>364,034</u>	<u>192,626</u>
Extraordinary Items (Note 7)	4,953	26,673
Net Earnings for the Year	<u>368,987</u>	<u>219,299</u>
Retained Earnings, beginning of year		
As previously reported	532,127	304,832
Reduction of prior years' income taxes (Note 4)	51,373	51,373
Adjustment for amortization of intangibles (Note 1(a))	(36,636)	(24,424)
As restated	<u>546,864</u>	<u>331,781</u>
	<u>915,851</u>	<u>551,080</u>
Income Taxes Deferred in Prior Years (Note 5)	14,953	4,216
Dividends	87,000	—
	<u>101,953</u>	<u>4,216</u>
Retained Earnings, end of year	<u>\$ 813,898</u>	<u>\$ 546,864</u>
Earnings per Share:		
Earnings before extraordinary items	<u>\$.41</u>	<u>.22</u>
Net earnings for the Year	<u>\$.42</u>	<u>.25</u>

The accompanying notes are an integral part of this statement

HY'S OF CANADA LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 1972

1. Accounting Principles and Statement Presentation:

- (a) The company has changed its accounting policy to amortize the amounts of the following intangibles over a 20-year period from the inception of Hy's of Canada Ltd.

Share issue expenses and organization costs	.....	\$119,342
Excess of cost of shares of subsidiary over recorded net asset value	.....	99,900
Goodwill — at cost	.....	25,000
		<u>\$244,242</u>

This amortization has resulted in the reduction of earnings for the year ended September 30, 1972, of \$12,212, and comparative earnings for 1971 have been restated to reflect a like reduction. Further, the retained earnings at the beginning of the current year have been reduced by \$36,636 to give retroactive effect to this policy to 1969.

- (b) The 1971 comparative figures have been reclassified where applicable to conform with the presentation used in the current year.

2. Investment in Affiliated Companies — at cost:

	1972		1971	
	Shares	Advances	Shares	Advances
50% of common shares —				
Interprovincial Properties Ltd.	\$100	\$ 60,271	\$100	\$ 46,699
Hymor Foods Ltd.	1	125,303	1	126,967
Kobe Japanese Steak Houses Ltd.	1	25,017	1	8,999
Less than 50% of common shares —				
Old Spaghetti Factory Restaurant Ltd.	12	—	12	6,000
Old Spaghetti Factory (Man.) Ltd.	35	35,000	35	34,999
Village Green Hotel Ltd.	3	27,932	3	58,556
Village Green Hotel (Vernon) Ltd.	100	90,475	—	—
	<u>\$252</u>	<u>\$363,998</u>	<u>\$152</u>	<u>\$282,220</u>

3. Long-Term Debt:

	1972		1971	
	Amount	Due Within One Year	Amount	Due Within One Year
Bank demand loans — varying interest rates, maturing in 1976 and 1977	\$ 875,000	\$168,350	\$348,335	\$126,660
Industrial Development Bank — 11%, maturing in 1976 and 1980	197,000	42,000	239,000	42,000
Mortgages payable — 6½% to 9½%, maturing from 1978 to 1981	133,689	23,142	164,272	29,192
Agreement for sale — no interest, maturing in 1977	60,945	14,340	75,285	14,340
Note payable — bank prime rate plus 1%, maturing in 1974	61,813	Payments Based on Sales	72,754	Payments Based on Sales
	<u>\$1,328,447</u>	<u>\$247,832</u>	<u>\$899,646</u>	<u>\$212,192</u>

The company has negotiated repayment of the bank demand loans over a number of years and accordingly the loans have been included in long-term debt. The bank demand loans are secured by hypothecation of marketable securities, certain book debts and certain shares in affiliated companies. The bank demand loans also contain conditions restricting the company from mortgaging certain fixed assets.

Long-term debt, other than the bank demand loans, is secured by specific charges on certain fixed and current assets of the company.

HY'S OF CANADA LTD.

4. Reduction of Prior Years' Income Taxes:

In the current year settlement was reached with income tax authorities with respect to proposed assessments of prior years' taxes. As a result, the opening balances of retained earnings have been restated to reflect a reduction of the income tax provision made in prior years.

5. Deferred Income Taxes:

In addition to the deferred income taxes recorded in the accounts, income taxes (of certain subsidiaries) were reduced in prior years in the aggregate amount of \$59,385 of which \$14,953 became payable in the current year and has been applied against retained earnings. At September 30, 1972, accumulated tax reductions not recorded in the accounts amounted to \$44,432.

6. Remuneration of Directors:

The total remuneration paid during the year to directors and senior officers was \$163,000.

7. Extraordinary Items:

	<u>1972</u>	<u>1971</u>
Gain on sale of marketable securities	\$ 4,953	\$13,542
Foreign exchange gain	—	13,131
	<u>\$ 4,953</u>	<u>\$26,673</u>

8. Commitments, Contingent Liabilities and Subsequent Events:

- (a) Minimum rentals, excluding rentals based on a percentage of sales, under existing lease agreements will be approximately \$309,000 annually over the next five years. Total rent incurred for the year ended September 30, 1972, including rentals based on a percentage of sales amounted to \$367,783 (1971 — \$261,233).
- (b) The completion of construction in progress at September 30, 1972, will require capital expenditures of approximately \$1,200,000 for which long-term financing of \$500,000 has been arranged to date.
- (c) The company has guaranteed loans and advances to affiliated companies up to \$1,028,000.
- (d) Subsequent to September 30, 1972, the directors of the company elected to increase tax paid undistributed surplus on hand to \$104,550 by the payment of taxes of \$15,750. Subsequent to this election, the directors of the company declared a dividend of 10¢ per share payable on December 29, 1972, out of tax paid undistributed surplus on hand.
- (e) Subsequent to September 30, 1972, the company advanced \$112,500 to a company engaged in restaurant operations. Under the terms of the advance Hy's of Canada Ltd. has the right to acquire a share interest.

